
Year 2000 FMS Summit for Conventional Ammunition

By

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As every military logistician knows, ammunition represents a key challenge in combat logistics support. Whether we look at the examples of Napoleon invading Russia, dragging cannon and cannon balls across frozen fields, or the U.S. shipping to the Middle East 500,000 tons of ammunition in a six-month period during the Gulf War, we realize that this single commodity demands a great deal of attention to insure a positive outcome of a military campaign.

The providing of ammunition to our foreign military sales (FMS) customers cannot really be compared to the Napoleonic struggles to defeat the Czar, but, because of the specialized procedures employed in the management of ammunition, there is still a challenge to apply the rules which are more relevant to other material and services. In order to investigate the peculiarities of ammunition sales under FMS, the Navy Ammunition Logistics Center (NALC), Mechanicsburg, Pennsylvania, convened a conference of interested parties from the military services to discuss the support of conventional ammunition.



Fran Dwyer, NALC Executive Director, opened the summit with the hope that it would provide a platform for long-term improvement in the foreign military sales of ammunition.

As Fran Dwyer, Executive Director of NALC, noted in her opening remarks, the goal was to engage in constructive discussion relevant to foreign sales of ammunition, enabling everyone to develop a more acute awareness of common problems being experienced by the greater FMS team. By assembling the extended FMS community in an open forum to discuss major systemic issues, NALC hoped to establish a mutual understanding of issues and to create a path toward solving them, minimizing crisis management along the way. Thus, the summit could be a beneficial platform for long-term improvement in the FMS process for selling ammunition.

Captain Tom Keithly, USN, Director of Security Assistance Operations at the Navy International Program Office, presented the goals of Navy's Reinvention Laboratory as well as progress made towards achieving them, with an emphasis on customer visibility and participation. The general goals of FMS reinvention include improving the workforce through better training, streamlining the Navy's FMS regulations, improving system responsiveness, facilitating communication and teamwork between Navy and defense industry by establishing specific roles

and responsibilities for each party, and working in concert with the reinvention efforts of DSCA and other military departments.

The goal of improved pricing and visibility is to revise the LOR/LOA process to produce the best value for the foreign purchaser. Among the initiatives being considered are the use of not-to-exceed or fixed-price LOAs and customer participation in LOA process, including a presence at negotiating sessions over prices with a contractor. Special effort is being given to faster turnaround for P&A data and FMS cases. The latter includes a role for the SAOs to insure that complete LORs are submitted so that, when the LOR ultimately arrives at the military department, there will be no delay in clarifying what the customer really wants. A special checklist has been provided to the SAOs to guide them in their review of LORs for completeness.

Through improved case execution and a focus on case closure, the Navy intends to reduce the case closure backlog by enforcing proper day-to-day financial management and periodic reconciliation and by improved delivery and delivery reporting.

Additional initiatives proposed by the Navy include the use of hybrid cases that aim to achieve an optimum combination which incorporates foreign military sales, direct commercial sales, and memorandums of understanding. The "Team USA" approach might involve all parties in support of program manager's objectives by creating an "international integrated product team."

NALC has experienced different problems which result in imperfect forecasts of ammunition requirements for foreign customers. In one situation, the major platform is sold with a good calculation of initial ammunition requirements, but no provision has ever been made for follow-on support. In another involving ship transfers, NALC has not been included in the planning and therefore is unable to advise the purchaser on its responsibilities for obtaining future ammunition support. In any case, the planning for procurement presents some major stumbling blocks that necessitate good long-range planning on the part of all customers in order to insure that supplies of ammunition are available.

Because there are few ammunition producers and there are high production set-up costs, production is not constant, and the minimum production quantity is comparatively high compared to other commodities. Thus, the needs of any particular country might be far below an economical production run, and if the U.S. asset position is such that the requirement cannot be issued from stock, then the country is normally out of luck for the short term. Logically, planning should result in a forecast of foreign requirements that could be incorporated into single production run along with a U.S. contract. Since ammunition is not procured on a strict schedule, the foreign customer has no way of knowing when his requisitions should be submitted. The question, then, is how to develop a procedure to aggregate foreign requirements to be included the normal U.S. acquisition cycle.

NAVAIR PMA 201 has program management responsibilities for cartridge actuated devices and propellant actuated devices (CAD/PAD), which share with conventional ammunition the same sort of production and forecasting problems. In order to involve the foreign users of CAD/PADs in the five-year planning process, each year in March the program office sends a letter to all known users of the items, notifying them of the proposed production dates and when the LORs for CAD/PADs would have to be submitted in order to incorporate them into the contract. This lets all foreign customers take advantage of the large-scale buy of the U.S. with the consolidated foreign requirements and provides customers with the best possible prices as well as some control over availability.

At the summit, it was proposed that PMS-380 insure that PM-4 and NALC are invited to participate in the ship transfer Rapid Improvement Team in order that ammunition requirements, both initial and follow-on, are considered. It was also decided to propose to the Navy's Security Assistance Council that the CAD/PAD model be considered for application in the projection of demand for other ammunition commodities.

Major Steven Pratt, USAF, Chief, International Division, Air-to-Surface Munitions Directorate, Ogden Air Logistics Center, gave a presentation on the Air Force's ammunition support for foreign customers. In a theme common to all participants, he emphasized the shrinking of the work force that is funded by the FMS administrative surcharge. As the number of people assigned diminishes without a similar reduction in workload, other sources of reimbursable funding are being sought. Major Pratt discussed the initiatives at Ogden to obtain more case funding, which is deemed feasible since the customers see a reduction in the level of support provided, as well as the fee-for-service concept employed in determining the cost of the precision guided missile technical coordination group. It was noted that any additional fees that would add to the costs of the material sold would have to be approved by the OSD comptroller. The inability to charge program management lines on sustainment cases was generally seen as working to the detriment of good customer support and advocacy for FMS programs. As a matter of interest, it was questioned how the number of people assigned to FMS compare with that doing identical work for domestic programs.



Representing the Air Force, Major Steven Pratt, presented the view of the Ogden Air Logistics Center on FMS support for munitions.

Representing the Office of the Undersecretary of Defense (Comptroller), Kay O'Brien discussed the rewriting of Volume 15 of the DoD financial management regulation and the reinvention initiatives related to financial management. She spoke of the problems in transparency of pricing as sought by the customer as well as the difficulties of using fixed price LOAs, even for stock issues when the items must be replaced. In the search for alternatives to the current methods of doing business, she noted that letters of credit, which have been proposed as an alternative to the present financial method that is dependent on the trust fund, have some weaknesses in providing the funds in advance of their expenditure. She also mentioned that half of the administrative charge should be collected in the initial deposit, a reflection that this overhead effort is largely being earned prior to a case being signed. O'Brien emphasized the need for accuracy in the delivery reports to DFAS, since these are the basis for correct reimbursement to the services, and also the need to keep the payment schedules aligned with reality in order to minimize tying up the customer's funds unnecessarily.

Since ammunition is not in the Defense Working Capital Fund, the catalog price charged the customer does not include any of the overhead work associated with selling the items to a foreign customer. When ammunition is procured, there is a large amount of engineering services associated with the contract preparation, and this can easily be included in the sales price to the FMS customer. When ammunition is issued from stock, however, the catalog price from the

Conventional Ammunition Inventory Management System (CAIMS) consists only of the last representative procurement price and does not include any other work involved in the sale. In order to recoup all costs, in this case a pro rata share of the engineering effort that went into the



To put ammunition issues in perspective, Captain Tom Keithly, USN, discussed the goals of the Navy's FMS reinvention initiatives and the progress made so far in achieving them.

original stock buy, the Navy project offices have been adding a ten percent surcharge on the CAIMS price. It was agreed that this surcharge is not authorized by the financial regulations.

To resolve this matter, it was decided to coordinate the effort to eliminate the ten percent surcharge on FMS stock sale material and to determine a means to recoup engineering costs for stock sale items through the appropriate channels. In the meantime, the project offices will continue to charge the ten percent surcharge on FMS stock sale items while the solution is being resolved, based upon the premise that the surcharge is for the legitimate purpose of recouping engineering charges.

There is some confusion about the technique employed to get the FMS reimbursement into the correct appropriation to permit replacement of the material sold. This does not seem to be a universal problem but is one that vexes the ammunition community. The problem seems to be that reimbursements for material procured with Procurement of Ammunition Navy and Marine Corps (PANMC) dollars are reimbursed by the Management Information System International Logistics (MISIL) system to the

Operations and Maintenance Navy (OMN) Appropriation. This forces program offices to query their respective comptrollers to insure that the funds have come in so that some cumbersome and unorthodox procedures may be used to eventually recapture the funds. At the conference, it was agreed to issue a memo to establish a meeting with Navy comptroller and other appropriate agencies to discuss the revision or updating of the Cog to Appropriation Table that ensures recoupment of funds through the programmed interfund billing system to the applicable appropriation for reimbursement.

Representing the Army Operations Support Command, Bruce Angus, Chief of the Ammunition Management Team in the Security Assistance Management Center, presented the history of the single manager for conventional ammunition concept. He also discussed his agency's approach to the shrinking pool of workers paid for by the administrative fund. In addition, he offered the Army's approach to the collection for the engineering services associated with the purchasing of ammunition.

Currently the DoD policy is that ammunition will be sold only on defined order cases. However, NALC is experiencing an increasing number of requests for waiver of this policy. This policy does provide for a means of exerting close control over the exports of munitions; however, it also flies in the face of responsiveness to a customer's requirements. In general, providing munitions items on a blanket order case is inappropriate. Nonetheless, there might be some rationale for doing so for non-explosive items such as arming wires and bomb shackles. The conference participants agree to set up a meeting with NAVICP to discuss the direct requisitioning

procedures issue and to revisit the Navy implementation of the DSCA policy not to buy conventional ammunition on a blanket order case.

In view of the peculiarities of the ammunition support business, all agreed that a strategy should be developed to pursue specialized FMS training for conventional ammunition. NALC will coordinate action with DSCA, DFAS, DISAM, and appropriate military service FMS activities to examine internal training needs and determine if formal training is required or if informal training as a result of regular information/sharing conferences and distribution of required regulations and policies are sufficient.

The closing of Naval Weapons Station Concord, California left a void in West Coast weapons handling capabilities. Port Hadlock, Washington, is being offered as an alternative site in some instances, but does not appear to be the universal solution to shipments to Pacific Rim customers. Freight forwarders are being notified of alternate locations for weapons loadouts, often military ports on the East Coast. The weapons community is working with the Military Traffic Management Command to see if there will eventually be a West Coast port capable of handling FMS ammunition under all circumstances.



Bruce Angus of the Army Operations Support Command presented the history of the single manager for conventional ammunition and the problems confronting the Army today in supporting the foreign customer.

As a result of the pressures imposed by the reinvention proposals, NALC is processing the LOR/LOA as expeditiously as possible to cut down the acquisition lead-time from the point of view of the foreign purchaser. This involves tracking data requests to external activities more intensely and communicating more often and responsively with NAVIPO. At the same time, NALC is being more analytical with this process, employing the total package approach by comparing the exact ammunition requirement with the platform to be supported to insure that that all necessary proper support is being requested. For example, if bombs are requested, is the customer also requesting the required fins? NALC is also looking at all potential substitutes up front since this could in fact speed up the delivery of the items to the customer's satisfaction.

For all the participants, this year's FMS Summit for Conventional Ammunition was deemed a success. The open debate on common problems led to recommendations that would perhaps streamline the process for everyone, permitting less energy to be expended on resolving difficulties and more on the real purpose of our jobs, to improve support for the FMS customer.

About the Author

Jerry W. Lusk is currently the FMS Team Leader at the Navy Ammunition Logistics Center, Mechanicsburg, PA. A native of Mechanicsburg, he enlisted in the United States Navy in August 1967, and became a sonar technician in the Submarine Service. After discharge from the Navy in 1973, he went to work at the Navy Ships Parts Control Center as an electronics equipment specialist. After two years he began his career as a logistics management specialist where over the

years he supported fleet ballistic missile submarine training simulation equipment, inertial navigation equipment, and the LM2500 gas turbine engine. He then became the logistics team leader for Navy pumps and valves. Afterwards he made the move to ordnance logistics by transferring to the Naval Ammunition Logistics Center where he was initially assigned as a logistics management specialist for air launched weapons such as Harm, Maverick, JATO, 2.75 and 5.0 rocket motors, and 20mm gun ammunition. After the command was re-engineered, Jerry was assigned as the service-wide transportation budget manager/analyst. In this capacity he was responsible for re-engineering the methodology for managing a \$27 million budget requirement. In December 1999 he was selected as the team leader for supporting 2E and 2T Cog ordnance as well as for the FMS support group.



Jerry Lusk, NALC's FMS Team Leader, was the coordinator of the summit and the host for the delegates.



NALC's FMS Team is responsible for conventional ammunition support of foreign navies. This conference was part of their strategic plan to increase communications within the greater FMS community in order to achieve more immediate responsiveness to the customers.